No. 9058.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

RESEARCH PRODUCTS CO., LTD., a corporation, CALIFORNIA PRODUCTION CO., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,

Appellants and Defendants,

vs.

THE TRETOLITE COMPANY, a corporation and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,

Appellees and Plaintiffs.

APPELLANTS' BRIEF ON JURISDICTIONAL QUESTION.

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TOPICAL INDEX.

TABLE OF AUTHORITIES CITED.

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APPELLANTS' BRIEF ON JURISDICTIONAL QUESTION.

During the argument of this appeal before this Honorable Court it appeared that during the argument on exceptions to the Master's report before the Honorable Harry A. Hollzer, United States District Judge, Dr. Beckman, of the faculty of the California Institute of Technology, sat on the bench with the District Judge during such argument. It does not appear to what extent Dr. Beckman participated in the deliberations by the District Judge or whether Dr. Beckman submitted any report, either oral or written, to the District Judge concerning the case or the matters discussed by respective counsel at such hearing.

In view of the above the point has been raised by this Honorable Court as to whether or not the litigants by the trial judge's selection and appointment of an expert to sit with him at the argument on exceptions to the Master's report, thereby submitted the case to arbitration and are now estopped from questioning the decision rendered by the trial court and, consequently, that this Honorable Court does not have jurisdiction to hear the present appeal. This on either of two theories:

(1) By analogy to waiver of a jury in a law case;

(2) That the proceeding at the hearing was an arbitration.

First Theory.

The statute, U. S. C. A., Title 28, Section 773, provides for waiver of a jury and submission of a case to the court, but only under the definite conditions that the stipulation be in writing or made orally in open court. This not being a jury case, but, on the contrary, an equity case, the statute would not apply. In the case of *St. Paul Mercury Indemnity Co. of St. Paul v. Long* (C. C. A. 3), 85 Fed. (2d) 848, the Court of Appeals held that when in a jury case the case was heard before the court without stipulation, written or oral, the hearings before the District Court are in the nature of a submission to an arbitrator and the court's determination of the issues of fact cannot be reviewed on appeal. There, however, even in the jury case under the special circumstances of that case, the trial judge warned the parties that a written stipulation should be filed, but the warning was disregarded. Even there the Court of Appeals was evidently in doubt, because it went on to hear the appeal and entered an opinion on the merits of the case. The instant case

is a suit in equity, arising under the patent laws of the United States, the court's jurisdiction being directly under the statute providing for the original jurisdiction of such cases in the District Court of the United States. This is not a jury case.

During the argument on appeal, this Honorable Court called to our attention the case of *Guiles v. United States of America,* Case No. 8810. In that case the court stated:

> "The case was tried without a jury, although no stipulation was filed or made or entered in the minutes of the court, waiving a jury trial."

The court also said:

> "The case having been tried without a jury and without waiving a trial by jury in the manner provided by statute, the only questions which this court has power to review are those concerning the process, pleadings and judgment."

That case also was a case in which the jury was not waived in accordance with the terms of the statute.

There is no analogy between such cases and the instant case because in the "jury" cases the statute particularly prescribes the only procedure under which the Judge can act in his judicial capacity both as judge and jury. Failure to waive the jury, as provided by the statute, resulted in such proceedings lacking the *requisites* of a *judicial* proceeding. The instant case being an equity case the Judge passes on questions both of law and fact. There is nothing that either party or the Judge can do that can *add* to these functions or the manner of performing them.

Second Theory.

This theory is that, by his action in appointing an expert to sit with him during the argument on exceptions to the Master's report, the District Judge constituted himself, the expert, or the two of them together, an arbitrator whose decision was final and not subject to review by the Court of Appeals.

This could not be a case for arbitration under the United States Arbitration Act of February 12, 1925 (U. S. C. A., Title 9, Secs. 1-15), because that act relates only to maritime transactions and contracts involving interstate commerce, and no such transaction or contract is here involved.

See:

In re Cold Metal Process Co., 9 Fed. Supp. 992, 993, and

Zip Mfg. Co. v. Pep Mfg. Co., 44 Fed. (2d) 184, 186.

This leaves only the question as to whether or not the statements of counsel and of the District Judge at the hearing can constitute an agreement for arbitration or an act of the court constituting him, the expert, or the two of them, an arbitrator, whose decision is not subject to review.

In *Gordon et al. v. United States,* 7 Wall. 188, 19 L. Ed. 35, 37, The Supreme Court said:

> "An arbitrator is defined, Bouv. Law Dic., Tit. Arbitrator, as 'a private extraordinary judge chosen by the parties who have a matter in dispute, invested with power to decide the same.' The Secretary of War acted ministerially. The resolution conferred no judicial power upon him. (De Groot v. U. S.,

> 5 Wall. 432, 18 L. ed. 702.) In order to clothe a person with the authority of an arbitrator, the parties must mutually agree to be bound by the decision of the person chosen to determine the matter in controversy. The resolution under which the Secretary assumed to act did not authorize him to make a final adjustment of the matter embraced in it. It did not bind the appellant to an acceptance of the amount reported by the Secretary, or that he would cease to clamor for more, after being a fifth time paid the amount of damages awarded to and accepted by him."

In the present case the parties did not even agree that the expert should determine any matter in controversy, much less agree that he should make any decision or award. The fact that Dr. Beckman had previously made an affidavit for plaintiffs, relating to the water softener patent [R. p. 46], one of the patents sued on, is a sufficient answer to any suggestion that defendants consented to his appointment for any other purpose than that of a technical dictionary.

In *Toledo S. S. Co. v. Zenith Transp. Co.* (C. C. A. 6), 184 Fed. 391, the following is found on page 404:

> "Bouvier adopts Worcester's definition of an arbitrator: 'A private extraordinary judge, to whose decision matters in controversy are referred by consent of the parties.'
>
> "Mr. Justice Grier quotes Bouvier as reading: 'A private extraordinary judge chosen by the parties who have a matter in dispute, invested with authority to decide the same.' Gordon v. U. S., 7 Wall. 188, 194, 19 L. Ed. 35."

> "The first step toward the settlement of a controversy by arbitration is the making of a valid agreement of submission. This agreement may be in writing or may be by parol except in a few instances. It may, under varying circumstances, be governed by the common law, by statute, or by rule of court, but it must comply with the formal requisites of all agreements, otherwise it will be invalid and will not supply the foundation for a valid arbitration and award. It must be made by persons legally capable of entering into such a compact; must relate to a subject-matter properly referrible to arbitrators; must be definite and sufficient; if under a statute, it must comply strictly with the terms thereof; and, finally, must violate no law of the land." (See *Ruling Case Law,* Vol. II, page 354.)

In this case it appears that no agreement to submit the case to arbitration was entered into by the parties, nor were the proceedings leading up to the appointment of Dr. Beckman considered by the District Judge or by either of the parties to be the submission of the case to arbitration by the District Judge, by Dr. Beckman, or to both of them.

In *American Guaranty Co. v. Caldwell* (C. C. A. 9), 72 Fed. (2d) 209, Garrecht, Circuit Judge, said (l. c. 212):

> "(3, 4) All the terms of the arbitration contract have not been made a part of the record, and it is a well-known rule of law that courts generally will not construe an arbitration agreement as ousting them of their jurisdiction unless such construction is inevitable, and jurisdiction in this case having been conferred on the District Court by action of the appellant, it

> will be assumed, where nothing appears to the contrary, that such jurisdiction has been rightfully retained and exercised."

In the present case there was no arbitration contract. All that transpired with reference to the court's appointment of an advisor appears in the record.

Turning now to the record, starting with page 1209, Vol. III, the court, referring to the several chemists testifying for both plaintiffs and defendants, and the voluminous exhibits, involving technical chemical matters, first suggested the desirability of the appointment of a disinterested expert [R. p. 1210]:

> "Personally, I would feel that a court is more apt to reach an intelligent and just and correct result in this case if it had the assistance of a disinterested qualified expert. First, for this purpose: To attend and observe tests made for the purpose of analyzing the product produced by the defense and making a similar observation of any analysis or test offered on behalf of the plaintiffs. Then, in the light of the readings of the patent, making his report, *subject to such cross-examination as either side may wish to make.* If that report were, in substance, a finding which would justify the court in holding that there had been no infringement, I would think that such chemist would need go no further. If, however, such report warranted a finding of infringement, then the chemist examine into the exhibits and those portions of the transcript that deal with what might be called plaintiffs' theory of the case." (Italics ours.)

This is what defendants suggested before the Master, but was rejected by plaintiffs, in so far as appointment of a distinterested expert to report on those questions in

which the *ex parte* tests of the parties did not agree. This, however, only contemplated that the expert have the function of a witness, and certainly did not contemplate that he should assume any function of the court; certainly not that of making any decision on any issue of the case.

Counsel for plaintiffs interposed with a different suggestion as to what field the expert's assistance was to cover, but clearly indicating plaintiffs' understandings that the decision was to be with the court, and the court only.

At the bottom of page 1213 counsel for plaintiffs said:

> "Of course, Your Honor, I realize the complicated character of some of the things that are discussed in this case full well and we want Your Honor to have the benefit of any suggestions or any help that a chemist could give Your Honor."

and at the end of the paragraph, which continues on to page 1214, expressed his understanding that the function of an expert under such circumstances could not extend beyond that of advice, and certainly not extend to that of deciding any issue in the case as a subtsitute for the court. Counsel for plaintiffs said [top of page 1214]:

> "* * * *I think the present status of our procedure in this country contemplates that the decision will be Your Honor's and not the decision of some assistant that might be appointed."* (Italics ours.)

Counsel for plaintiffs, continuing with reference to the expert's function, referred to him as a technical man, who would understand what we were talking about and who could translate it to "Your Honor". Later in the paragraph he designated him as a "technical advisor", and at the top of page 1215 said:

"My idea would be, if Your Honor would select a technical advisor, let him sit with you during this argument and advise you just what the meaning is or explain the meaning of the things that we are talking about to Your Honor," etc.

In the last paragraph on page 1217 and running into page 1218 counsel for plaintiffs continued:

"My suggestion would be that Your Honor select a chemist, which would be exactly what I would do if this case was presented to me, I would call a chemist in. *I would not leave the decision to the chemist,* but I would certainly have the chemist there to aid me in understanding exactly what the subject was about. And I think the law contemplates that the case should not be left now at this stage, after a trial before the Master and exceptions, to some test by somebody else. It should be tried on the record that we have made and *should be decided by Your Honor,* but I am perfectly conscious of the fact that, to save Your Honor time and to satisfy Your Honor that you really understand these things, which are not usual for a judge to be asked to consider, that you pick out someone that you have confidence in *as a chemist* and ask him to sit with you and aid you in explaining them to you." (Italics ours.)

This expresses the clear and unquestionable understanding of counsel for plaintiffs that the decision of the case was not to be left to the chemist, but that his function was merely to aid in understanding the technical language of the case.

The court then said [R. pp. 1219-1220]:

"It was furthest from my mind to pass on to some chemist, or, for that matter, anybody else, the burden

or responsibility of deciding the case. I think plaintiffs' counsel has more happily expressed the thought that I really had in mind.

"It is the desirability of having technical assistance to explain some of these theories or contentions that are advanced in the respective briefs. I think it will be conceded that, in many places in these briefs discussion has dealt with some technical questions dealing with chemistry. The briefs have not been altogether confined to patent law or the limitations upon the claims incorporated in the patent that is involved here. I agree that at this stage of the case we should not have a retrial. That is not what I had in mind.

"It may be that I could call in that technical assistance after the oral argument has been concluded and if, as a result of my study of the case, I conclude that there is need for some further elucidation, why, counsel can then be apprised of that fact." (Italics ours.)

On pages 1220 and 1221 counsel for plaintiffs stated:

"If Your Honor had in mind the technical advisor that you would prefer and he could be available, it probably would help the situation if he could sit there with Your Honor during the discussion because, after all, this is a field, a sort of a field, where, on the one hand, we have organic chemistry, and then we have its special application to the problem of oil field emulsions. * * * Therefore, my idea is that the man who would help you the most would be a college professor of organic chemistry, in which case there would be a good deal that he would like to know as the argument proceeds, to satisfy himself of the application of that particular knowledge to this particular problem, and I am only making a suggestion.

"I think it is a splendid idea in a case like this for the court to have selected itself—*not by the parties, not ask the parties to agree to it at all*—but just a man to assist the court in understanding what the subject is about. In this particular case I have the further suggestion that, if the man could be present with Your Honor hearing the argument, I believe that it would assist him, too, in being sure of his ground and he might have some questions he wanted to ask during the course of the argument." (Italics ours.)

Counsel for defendants, at page 1222, stated, in part:

"* * * I believe, everything considered, the court's original suggestion that it be referred to this man who is capable of making tests and analyses if it becomes necessary, and pass on the technical phrases, is most excellent; and, speaking for defendants, I would like very much to have that handled in that way."

Finally the court reached the following conclusion [p. 1222]:

"I can understand how the suggestion that I originally made is capable of leading us in a direction that, at least so far as I am at present advised, is not yet warranted. I did have especially in mind the desirability of technical assistance."

and finally said [p. 1225]:

"As I indicated to counsel before the noon recess, I am appointing Dr. Beckman of the faculty of the California Institute of Technology to sit with me to hear this argument and, of course, to take such part in the discussion as will, in his judgment, help to elucidate and clarify the respective contentions and,

following the argument, to advise with me as to the technical phases of the case; *that is to say, as to the interpretation of the various chemistry terms.* I think, in brief, that covers the matter of his assignment." (Italics ours.)

At no time during all of the discussion about appointment of an expert assistant to advise the court did counsel for either party, or the court, even intimate that the expert to be appointed should assume any judicial function or perform the duties of an arbitrator; or that the proceeding was at all in the nature of an arbitration, or that anyone except the court should make any decision or that the court should act in any capacity except judicial. The function of the expert was determined by the court to be that of merely an interpreter of chemical terms. In other words, to serve as a dictionary for the court.

The above final statement of the court is clear as to the expert's duties when the court stated:

> "* * * to advise with me as to the technical phases of the case; that is to say, as to the *interpretation of the various chemistry terms.*" (Italics ours.)

Such duties of the expert would not extend to determination by him of any issue in the case, and particularly those issues which were not dependent on the interpretation of chemical terms.

In the case of *Kohn v. Eimer,* 265 Fed. 900, at page 902, the Circuit Court of Appeals for the Second Circuit stated:

> "* * * Specifications are written to those skilled in the art, among whom judges are not. It therefore becomes necessary, when the terminology of the art is not comprehensible to a lay person,

that so much of it as is used in the specifications should be translated into colloquial language; in short, that the judge should understand what the specifications say. This is the only permissible use of expert testimony which we recognize. When the judge has understood the specifications, he cannot avoid the responsibility of deciding himself all questions of infringement and anticipation, and the testimony of experts upon these issues is inevitably a burdensome impertinence.

"Now the question whether the judge needs the assistance of experts to understand the specifications is for him to decide. Doubtless he ought to be chary of assuming too readily that he does understand what he may not; but, if he is too confident, his mistake eventually transpires. The important point is that it is he who must determine when he needs the help of experts and when he does not, and that decision, except in the clearest case, we should not be disposed to disturb."

With reference to Point 3, discussed in appellants' opening brief on appeal regarding the question of estoppel, it was, on or about the 28th day of May, 1938, over a year after the argument on exceptions to the Master's report, that defendants petitioned the court to reopen the case for further argument in view of the then recently decided case of *Leitch v. Barber,* and filed their objections to the proposed decree, the decree being later filed, to-wit, July 9, 1938. Consequently, the matter of the application of the *Leitch v. Barber* case to the present case was a matter presented solely to the court long after the argument on exceptions to the Master's report and Dr. Beckman's participation in the case. The court then, on or

about the 9th day of July, 1938, entered an order overruling defendants' objections to the decree and denied the petition to reopen. By these facts it is here again emphasized that the District Judge acted solely in his capacity as a judicial officer and not as an arbitrator.

In any event, there would be no need for the expert in connection with the defense of estoppel of the plaintiffs to enforce their patent, even if infringed, under the rule of the *Leitch v. Barber* case. Plaintiffs' expert identified defendants' treating agent or compound as an unpatented article of commerce, after which the question was one of law and not of fact; certainly not of definition of chemical terms.

In considering this question it must not be lost sight of that the real issues in the case were never mentioned as anything with which the expert should have anything to do. For instance, the defense of abandonment would not involve the expert at all. Barnickel, himself, admitted that he used a sulfo-fatty acid for the Mt. Vernon Oil Company at Tanaha; for the Standard Oil Company in the Caddo oil fields of Louisiana, and for the Texas Company at their plant in Oklahoma. The question concerning the use at Tanaha would be whether or not sale of the oil, treated with a sulfo-fatty acid, for the Mt. Vernon Oil Company, constituting use of the invention there a public one, had been proven. Certainly the expert would not pass on the question of whether Barnickel's use of a sulfo-fatty acid in the Caddo oil fields at Trees, Louisiana, was or was not a public one. Barnickel admitted this [R. pp. 882, 892, 929]. When the pipe line took the oil the use became public and a sale. No chemical terms were involved. The same would be true of Barnickel's recovery of 4,000 barrels a day of oil for the Texas Company at the

Oklahoma plant, and use of the oil by the Texas Company under its boilers.

From the record and the full analysis of all that transpired between the parties and in their discussion of the appointment with the court, it is clear that no stipulation for arbitration was entered into and nothing said or suggested that could deprive this court of jurisdiction of the case. All that was ever contemplated was for the expert to give the benefit of his technical knowledge to the court for the purpose of defining terms used at the trial of the case, with which the court might not be familiar. He may have occupied the position of "friend of the court", but certainly was not present at any time, nor did he have anything to do with the case, either in a judicial capacity or in the role of an arbitrator.

As pointed out above neither party had in mind submitting the cause to arbitration; in other words, there was no agreement to arbitrate. Further, the District Judge had no authority to deprive the litigants of their right of appeal, nor did he have authority to appoint an arbitrator, nor take on such capacity himself.

In the case of *Windsor v. McVeigh,* 93 U. S. 274, 23 U. S. L. Ed. 914, the Supreme Court stated:

> "* * * Though the court may possess jurisdiction of a cause, of the subject-matter and of the parties, it is still limited in its modes of procedure, and in the extent and character of its judgments. It must act judicially in all things, and cannot then transcend the power conferred by the law."

There is nothing in this case to indicate that the District Judge constituted himself an arbitrator or considered himself as acting in such capacity. He was without authority to do so without the consent of both parties.

Conclusion.

It is finally submitted that

(1) The parties nor either of them have made any agreement to submit the case to arbitration;

(2) Neither the District Judge, the expert nor both of them constituted an arbitrator or board of arbitration;

(3) Neither party waived the right of appeal;

(4) The District Judge had no authority to act beyond his capacity as a judicial officer;

(5) The District Judge cannot by his own act deprive the parties of the right of appeal; and

(6) That this court has jurisdiction to fully review the case.

Respectfully submitted,

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